

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

This is an appraisal of two parcels of undeveloped land, which are owned by separate entities, which are proposing a single residential development. In the following report, we evaluate the "As Is" market value of the subject as vacant, undeveloped land. The following is an executive summary of the important facts and conclusions of this analysis. The information in this section is based on recorded documents, information provided by the owners, information and tax records from the Municipality of Anchorage (MOA), and on physical inspection of the property. The reader is referred to the various sections of the report for a complete description of all of the facts and conclusions contained herein.

Identity of Property

The subject of this appraisal consists of two parcels of undeveloped land located in the Potter Creek residential area of South Anchorage, Alaska and owned by two separate parties. For ease of presentation, we will refer to the property owned by the Alaska Mental Health Trust Authority (120 acres) as the AMHTLO tract and the parcel owned by GCI Communications Corporation (96 acres) as the GCI tract. The Municipality of Anchorage (MOA) identifies the AMHTLO tract as Tax ID No. 020-181-19 and the GCI tract as Tax ID No. 020-201-25, and we identify both parcels as Our Appraisal Reference No. 0176. These parcels are adjacent to each other and proposed to be combined for a residential subdivision development to be known as the Potter Valley Subdivision on preliminary plans.

Assumptions

In order to evaluate the subject property, we made various assumptions characterized as Ordinary Assumptions, Extraordinary Assumptions, and Hypothetical Conditions. *Ordinary assumptions* are typical assumptions made by appraisers and involve such things as marketability of the title, compliance with government regulations (i.e. zoning, building codes, and the like), environmental cleanliness of the parcels, utility easements and soil conditions allowing the proposed development of the site. *Extraordinary assumptions* are defined as "assumptions, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions."¹ We have not utilized any extraordinary assumptions in this appraisal. Finally, *hypothetical conditions* are defined as "those, which are contrary to what exists, but are supposed for the purpose of analysis."² As requested by our client, we have hypothetically assumed that the AMHTLO Tract is able to garner a zoning change from PLI to a residential district without significant costs or proposed construction delays.

¹ Uniform Standards of Professional Appraisal Practice, 2002 Edition, Appraisal Foundation, Washington, D.C., 2001, pg. 3.
² *Ibid.*, pg. 3.

Legal Description

The AMHTLO Tract is legally described as Northwest ¼ of Northeast ¼ of Section 10 and South ½ of Northeast ¼ of Section 10 located within Township 11 North, Range 3 West, Seward Meridian, Anchorage Recording District, Third Judicial District, State of Alaska. The GCI Tract of the subject is legally described as Tract 1, Viewpoint Subdivision, according to Plat No 84-0154 recorded in the Anchorage Recording District, Third Judicial District, State of Alaska.

Location

The AMHTLO Tract is located at the south end of Golden View Drive in the Hillside neighborhood of Southeast Anchorage, Alaska. This tract is bordered on the west by Municipality owned vacant land, and on the north and east by single-family residential districts. The GCI Tract is located immediately south of the AMHTLO Tract and is bordered on the west by the Old Seward Highway's south end, on the south by Potter Valley Road and Chugach State Park, and on the east by Golden View Drive. Single-family residential developments are located south and east of the tract.

The combined property is generally bounded by East 172nd Avenue on the north, Potter Valley Road and Chugach State Park on the south, Potter Marsh State Refuge and the Old Seward Highway on the west, and Golden View Drive on the east. It is surrounded by privately owned residential districts on the north, south, and east. The area is located approximately 12-15 miles from Downtown Anchorage. This proximity, along with the capacity of the nearby New Seward Highway, gives the combined property excellent access to all significant parts of the Anchorage Bowl. Commuting times are approximately 20 minutes to Midtown Anchorage and 30 minutes to Downtown.

Access

Access to the subject's combined area can be summarized as follows:

Access to **the AMHTLO Tract** is via Golden View Drive, which starts at Rabbit Creek Road, about two miles north of the tract. Street improvements include wide shoulders and asphalt pavement up to the northeast corner of the GCI Tract; beyond that point the road is unpaved. Neighborhood unpaved streets lead off Golden View Drive to various subdivisions in the area including Paradise Valley, Mountainside Village, Kenno Hills, and Pennington Park. Access to Golden View Drive is via Rabbit Creek Road. This is a paved two-lane road that presently provides the primary access to upper hillside residential developments and has its starting point at the New Seward Highway. This highway is a controlled access freeway, which connects the Potter Creek area with Midtown and Downtown Anchorage. It is four-lanes, divided with interchanges at the major intersections between Downtown Anchorage and Rabbit Creek Road. The northern portion of the AMTLO Tract has access to West 172nd Avenue that starts at Golden View Drive to the east and ends right after the intersection with Belarde Avenue to the west. The northwest corner of the AMHTLO Tract also has access to Bettjean Drive that intersects with West 172nd Avenue and Kallander Avenue, both with access to Golden View Drive. East 172 Avenue, Belarde Avenue, Bettjean Drive, and Kallander Avenue are unpaved gravel roads, while

Golden View Drive and Rabbit Creek Road are paved. Currently, there is no direct access from the New Seward Highway and Potter Valley Road, lying immediately south of the AMHTLO Tract. The western and south portions of the AMHTLO Tract have no improved access. Of note, the tract area contains several trails that are used for multi-season recreation by area residents. The two primary trails are the Moen-Pennington/Old Jeep Trail and the Enstar Natural Gas Pipeline Trail. Historically, the Moen-Pennington Trail was an access corridor that connected the Old Seward Highway with the Moen and Pennington Homesteads near the south end of Golden View Drive. The Enstar Pipeline Trail is a buried natural gas pipeline running north and south through the combined property to Potter Valley Road. It is cleared and is presently used for multi-season recreation by area residents. Of note, there are no dedicated trails on the AMHTLO Tract according to Mr. Stephen Planchon, Executive Director of the Alaska Mental Health Trust Land Office. As such, we made an ordinary assumption³ that presence of the aforementioned trails will not adversely affect the property's development potential.

The GCI Tract has access to Potter Valley Road, The New and Old Seward Highways, and Golden View Drive. Potter Valley Road, which borders the GCI Tract on the south, has its starting point at the New Seward Highway less than 500' from the subject. This road provides the primary access to the majority of the southern Potter Creek developments. This is a paved collector road, constructed to Municipal collector standards with 36' wide paving and 2' wide gravel shoulders on each side. Pavement and other improvements on Potter Valley Road end at the Viewpoint South Subdivision where the road becomes a two-lane dirt road. To the west, the GCI Tract is bordered by the Old Seward Highway, which is now a secondary, two-lane access road. The Old Seward Highway is a neighborhood collector street that allows for access to the New Seward Highway at various points. It is a two-lane paved road that starts in Downtown Anchorage and merges with the New Seward Highway immediately south of Potter Valley Road. Golden View Drive provides access to the east portion of the GCI Tract. Old Seward Highway, Potter Valley Road and Golden View Drive are designated residential collectors in the Anchorage Official streets and Highways Plan.

Overall, the northern, eastern and southern portions of the combined property have excellent access for residential developments in South Anchorage. This safe and convenient access provides a major benefit for people who desire Hillside-type living, along with the views and other amenities without the prerequisite of four-wheel drive vehicles. However, there is presently no improved access to the western portion of the subject.

Site Dimensions, Sizes, and Topography

The subject has an irregular shape determined to the north by West 172nd Avenue, to the west by natural gas line, to the east by Golden View Drive, and to the southwest by Potter Valley Road. On the southeast the subject is adjacent to Chugach State Park and the border between these two is generally parallel to Potter Creek. For visualization of the property, the reader is referred to the aerial photo of the subject immediately following the Summary of Important Facts and Conclusions section of this report. The subject is comprised of two tracts of undeveloped

³ Ordinary assumption for existing trails. Reader attention is directed to Kincaid and Riely, LLC's Certification and Limiting Conditions located immediately following our letter of transmittal. This assumption is hereby added to the standard limiting conditions form and made a part thereof.

land, each with own dimensions and topography, as described below.

The AHMTLO Tract is an L shaped 120 acre parcel generally defined by a natural gas pipeline to the west and Golden View Drive to the east. It is approximately 400' above sea level at the lowest southwestern portion, rising to approximately 800' in elevation at the east border along Golden View Drive. The parcel area is about 120 acres of land with less than 15% slopes and relatively flat topography. The site has moderate heavy tree coverage and very nice views of Cook Inlet, mountains and the city. Single-family residential developments lie to the north and east of the tract, which indicates that this area is relatively easy to built on.

The GCI Tract is an elongated 96-acre parcel. It is approximately 200' above sea level at the lowest western portion, rising to approximately 800' in elevation at the east border, which abuts Golden View Drive. According to our observations, the tract is on a southwest-facing slope with an average incline of approximately 15%. The extreme western portion of this tract between the Old Seward Highway and west end of Potter Valley Road is very steep and narrow in shape. According to the Tract's plat, this area encompasses approximately three acres of land (790' X 150' = 118,500sf or 2.7 acres). This portion of the site is part of the entrance improvements for Potter Creek. For these reasons, the development potential of this area is limited; therefore, we have valued this tract based on usable area of 93 acres. The tract is heavily wooded and offers excellent views of Cook Inlet, mountains and the city.

To summarize the above, the overall site gently slopes up from Potter Valley Road to West 172nd Avenue, north border of the site. However, the GCI Tract is steeper than the AMHTLO Tract and about three acres of this area are not developable due to slope conditions. For this reason, the development potential of the land area is limited to 213 acres, which are distributed as follows:

Summary of Land Area				
Parcel	Total Area		Usable Area	
AMHTLO Tract	5,227,800sf	120ac	5,227,800sf	120ac
GCI Tract	4,181,523sf	96ac	4,063,000sf	93ac
Combined Property	9,409,323sf	216ac	9,290,800sf	213ac

Soil Conditions

In our analysis of the subject property, we have reviewed soil tests prepared for each parcel by two independent consultants, as summarized below.

The Geotechnical report for the AMHTLO Tract was prepared by Shannon & Wilson, Inc., Geotechnical and Environmental Consultants, in September 1998 and consisted of 54 test pits. The test pits were advanced to depths of about 15'. Many of the test pits were advanced to lesser depths due to bedrock or very hard material. The subsurface study encountered somewhat similar material in all of the holes. The typical soil profile started at the surface with a one-foot thick brown silty sand organic mat, followed by brown silty sand and gravel (glacial till), which extended to the bottom of the test holes. The dominant soil layer below the organic mat had a substantial number of cobbles near the surface. The cobbles were present, usually in lower concentrations, to the bottom of all of the test pits. Some of the localized low areas tended to be swampy. At these locations there was

typically several feet of soft, black peat and organic silt overlying glacial till. These areas tended to be quite wet at the surface. The glacial till in these areas seemed to have more blue clay/silt than other areas of the AMHTLO Tract. Ground water was encountered during excavation of many test pits. The depth of groundwater varied from the surface to below the bottom of the test pit at 15' depending on the soil profile. Shannon & Wilson, Inc., Geotechnical and Environmental Consultants believe that fluctuations in the groundwater of five feet or more may occur due to seasonal changes in snowmelt and rainfall. The consultants observed several drainage creeks that flowed down the hillside.

The Subsurface Investigation for the GCI Tract was conducted by Alaska Testlab in December 1977 and consisted of 10 test holes. A surficial layer of peat ranging from 0.5' to 2.5' in thickness was observed in all the test holes. A few test holes contained a thin layer (0.5'-1.5') of inorganic non-plastic silt immediately below the organic peat mat. Excluding these surficial layer of peat and silt, the soils underlying the GCI Tract are granular silty gravelly sands and silty sandy gravels. The test holes were generally drilled to a depth of 16' and some of them encountered bedrock at depths of 9'-13'. In general, bedrock was shallowest along the north side of the GCI Tract. Ground water was found to be generally absent at this site. Several small springs were observed on this property. The purpose of the Alaska Testlab's Study was to determine the feasibility of on-site sewage disposal for a proposed residential subdivision. The study found that the soils underlying the subject property are generally granular and are suitable for establishment of on-site sewerage disposal systems. However, the experts believed that, in certain areas of shallow bedrock and spring activity, larger lot sizes might be required.

In summary, both studies showed somewhat similar results. The soils encountered on the combined property are similar to those found over much of the South Anchorage Hillside area. With respect to future development, the experts believe such soil conditions will not require unusual engineering of building foundations and that the standard spread footing will provide adequate support for low-rise structures. According to proposed development plans, the combined property will be improved with a residential single-family subdivision served with all public utilities, including water and sewer. Based on the provided soil studies, we believe the soils are adequate to support such development.

Utilities

Natural gas, electricity and telephone are presently available to the subject's entire area; water and sewer are not available to the AMHTLO Tract and are available to the GCI Tract. Natural gas lines go along East 172nd Avenue and along the western border in the AMHTLO Tract's area. Electricity and phone are available to the northeastern corner of this tract from Golden View Drive. Neither public water nor sewer is presently available to the AMHTLO Tract. However, as a result of recent subdivision expansion along south Golden View Drive, a new water main has been extended from Huffman Road to the mid portions of south Golden View Drive to a new middle school site and to the Goldenview residential development. According to Mr. Gregory Jones, President of the Potter View Development Company, the nearest AWWU water line ends approximately $\frac{3}{4}$ miles north of the AMHTLO Tract along Golden View Drive. Mr. Jones told us that he is planning to extend the water line from Golden View Drive and connect it with a water line along Potter Valley Road to meet the needs of the proposed

development on the combined property. The water line along Potter Valley Road is owned by the Potter Valley Water Company, a privately held water company, which presently services some lower mountain parcels south of the GCI Tract. The company's well and storage tank are located on Tract B (between Blocks 3 and 4) of Southcreek Subdivision. The aquifer could provide an adequate water supply for most of the GCI tract area, if it were developed individually, although any future development would require expansion of the existing well diameter. Waterline extensions involve substantial upfront development costs, as was estimated in the Subdivision Analysis section of this report. Mr. Jones also told us that he had an informal agreement with AWWU, according to which AWWU might buy the Potter Valley Water Company if Mr. Jones connects the AWWU and Potter Valley Water Company lines. This will help lower water utility rates for area residents and improve provided services.

The GCI Tract is served with all utilities, including community water and public sewer. Natural gas, electricity and phone lines go through the western portion of the tract. Water and sewer mains are located in Potter Valley Road along the road. Based on the proposed subdivision development of the combined property, each lot will be served with public water and sewer. According to Mr. Jones, capacity of public sewer main from Potter Valley Road is adequate to serve the entire area of the combined property.

Easements/Improvements

We have not been provided with a title report or a plat map for the AMHTLO Tract, therefore relied solely on our physical inspection of the site. According to our observation, the electric/telecom easement goes near the southwest corner of the AMHTLO Tract; however, it does not enter the tract area. The natural gas pipeline continues from the GCI Tract and generally determines the western border of the AMHTLO Tract. Per our discussion with Mr. Stephen Planchon, Executive Director of the Alaska Mental Health Trust Land Office, this is a transmission gas line, which explains a large width of this easement. There is also a natural gas distribution line along the unimproved easement extending from West 172nd Avenue.

We also observed two primary trails on the AMHTLO Tract land, the Enstar Natural Gas Pipeline Trail and Moen-Pennington/Old Jeep Trail. The 1997 Areawide Trails Plan⁴ identifies the long-standing location of a future multi-use unpaved trail presumably on a cleared gas line right-of-way. This trail's north access point at Fedosia Drive takes the proposed alignment across the AMHTLO Tract and along the gas pipeline clearing. According to the Potter Valley Land Use Analysis, a future development of AMHTLO Tract should include this trail's right-of-way.⁵ It is recommended that the future trail alignment follow the west edge of the tract. The old Moen-Pennington/Old Jeep Trail is also identified as an official future unpaved multi-use

⁴ Areawide Trails Plan, MOA Department of Community Planning and Development, April 1997, maps.

⁵ Potter Valley Land Use Analysis, MOA Department of Community Planning and Development, December 1999, pg. 47.

trail.⁶ This trail has appeared on U.S. G. S. maps since the 1950's. It starts from the Old Seward Highway and generally goes along the border between the AMHTLO and GCI Tracts to the southern portion of Golden View Drive. The Municipality requires that this trail be retained or similarly replaced within the future development of the AMHTLO Tract.⁷ Of note, there is no dedicated trails on the AMHTLO Tract according to Mr. Stephen Planchon, Executive Director of the Alaska Mental Health Trust Land Office. As such, we made an ordinary assumption⁸ that presence of the aforementioned trails will not adversely affect the property's development potential.

According to Plat No. 84-0154, shown on the facing⁹ page, the GCI Tract has a 20' electric and telecommunication easement on site, generally going east of Potter Valley Road. Two adjacent 25' natural gas line easements start a few feet before Potter Valley Road crosses Potter Creek and run north and south through the combined property's area. According to Mr. Planchon, this is a transmission gas line, which explains a large width of this easement. It is our opinion that the observed easements do not adversely affect the functional development of the subject area or its value. We have not observed any improvements on the combined property site.

Zoning

The subject lies within two zoning districts, characteristics of which are summarized as follows.

The AMHTLO Tract is zoned as PLI, the Public Land and Institutions district, which is intended to include areas of significant public open space, major public and quasi-public institutional uses and activities and land reserves for which a specific use or activity is not yet identified. Permitted principal uses and structures include parks, greenbelts, public recreation facilities, historic and cultural exhibits, educational institutions, cemeteries, religious facilities, charitable and similar quasi-public organizations. Conditional uses include natural resource extraction, radio, microwave or television transmission towers, commercial recreation uses, vocational schools, correctional institutions and other quasi-institutional uses. Minimum lot requirements for this district are a lot width of 100 feet and a lot area of 15,000sf. Minimum setback requirements for the front yard are 25 feet and the side yard 25 feet and the rear yard 30 feet or less that the adjacent use district, whichever is less. The height of structures is unrestricted, except where buildings exceed 35 feet in height adjacent to a residential use or district, the minimum yard requirements shall be increased one foot for each 1.5 feet in height exceeding 35 feet.

The GCI Tract is zoned as R-3SL, Multifamily Residential Use District, which is intended to include urban and suburban single family, two-family and multifamily residential uses with medium population densities. The minimum lot size is 6,000sf for one to four family dwellings. The special limitation on the subject's zoning limits densities to a maximum of four to six units per acre. This limitation has been set by the 1984 G-5 Area-wide Zoning Action AO 84-21, which formalized land use zoning district assignments for the majority of

⁶ Areawide Trails Plan, MOA Department of Community Planning and Development, April 1997, attached maps.

⁷ Potter Valley Land Use Analysis, MOA Department of Community Planning and Development, December 1999, pg. 47.

⁸ Ordinary assumption for existing trails. Reader attention is directed to Kincaid and Riely, LLC's Certification and Limiting Conditions located immediately following our letter of transmittal. This assumption is hereby added to the standard limiting conditions form and made a part thereof.

⁹ Facing Page: Viewpoint Subdivision Plat

the Hillside study area (10,000 acres). The ordinance includes the following key Special Limitations: Master Site Plan and Final Site Plan review and approval for R-3SL areas; new R-10 lots shall have a minimum area of 54,450 square feet (1 ¼ acre lots). A copy of AO 84-21 is included in the Addenda of this report.¹⁰

Based upon trends in the subject's neighborhood and the subject's proposed development, the area is most likely to be developed with single-family residences, similar to existing homes at Potter Creek. As such, a zoning change will be required for the AMHTLO Tract from a PLI district to a residential district similar to those in the combined property vicinity. As requested by our client, we have hypothetically assumed that the AMHTLO Tract is able to garner a zoning change from PLI to a residential district without significant costs or proposed construction delays.¹¹

Environmental Issues

We have inspected the subject with the due diligence expected of professional real estate appraisers. As appraisers, we are not qualified to detect hazardous or toxic material. Any comment by the appraisers that might suggest the possibility of the presence or absence of such substances should not be taken as confirmation of the property environmental condition. Such determination would require investigation by the experts qualified in the field of environmental assessment. During our April 22, 2002 on-site inspection, we did not note any obvious signs of hazardous material or toxic wastes. Of note, the site was undeveloped and covered with snow at the time of the inspection. It is, therefore, an ordinary assumption¹² of this analysis that the property is generally free of environmental contamination.

Summary of Highest and Best Use

The combined property is located at the extreme south end of Anchorage, and is bordered on the south by the prestigious Potter Valley residential development. The property is also bordered to the north by the Rabbit Creek residential area. Lots in these residential developments are almost exclusively improved with detached single-family residential houses, in conformance with the various residential zoning districts in the area. In recent years, the various subdivisions located throughout the Hillside area have experienced a high level of absorption with lot prices setting the upper end of the residential market price range. Overall construction activity in the single-family residential market has been quite strong during the last five years. Absorption of the existing inventory of residential lots is possible within 2.84 years assuming the last five-year average absorption rate of 318 lots per year. However, additional

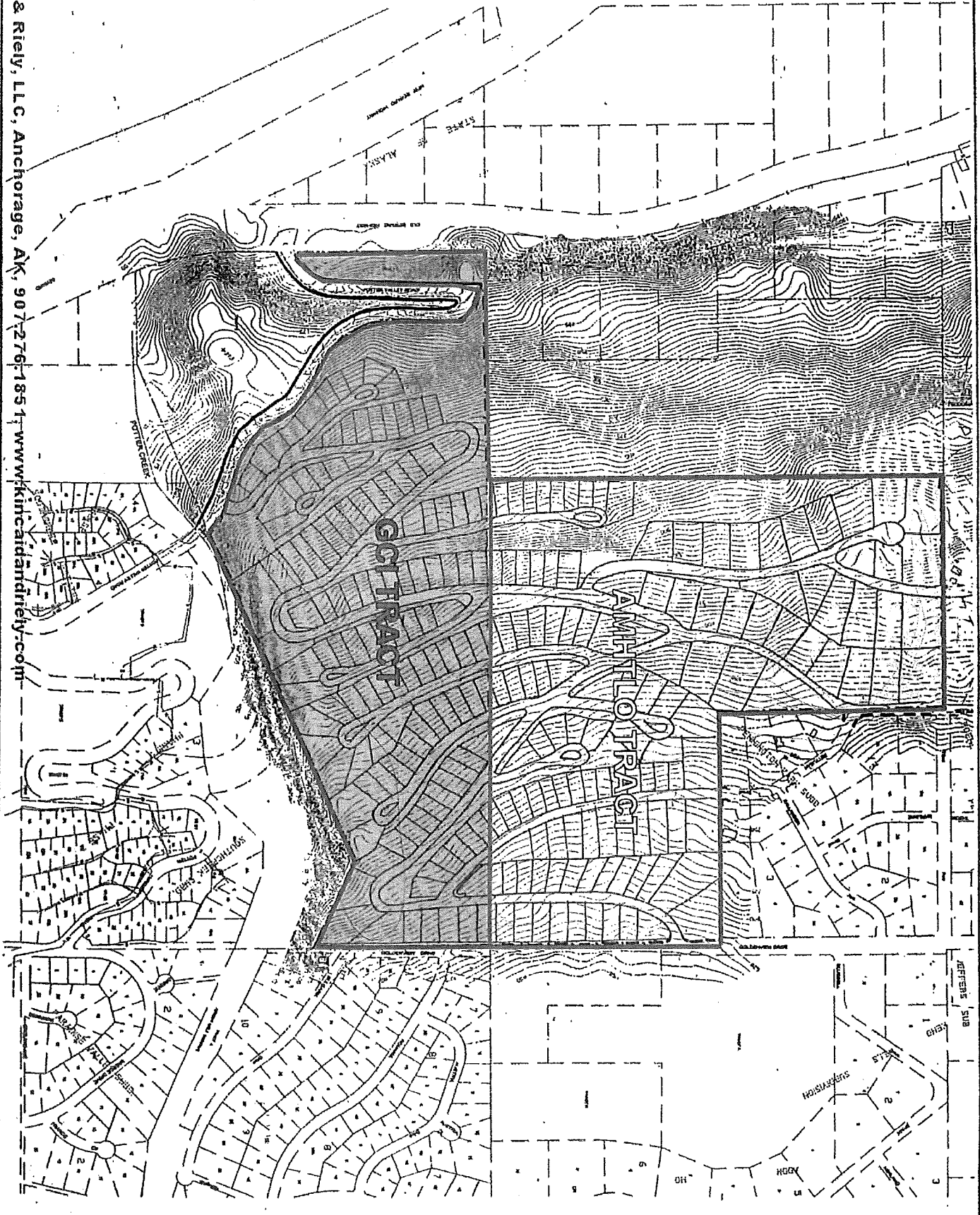
¹⁰ Addenda: 1984 G-5 Areawide Zoning Action AO No. 84-21

¹¹ Hypothetical condition for re-zoning to residential use. Reader attention is directed to our Certification and Limiting Conditions located immediately following our letter of transmittal. This assumption is hereby added to the standard limiting conditions and made a part thereof.

¹² Ordinary assumption for environmental hazards. Reader attention is directed to Kincaid and Riely, LLC's Certification and Limiting Conditions located immediately following our letter of transmittal. This assumption is hereby added to the standard limiting conditions form and made a part thereof.



Kincaid & Riely, LLC, Anchorage, AK, 907-276-1851 www.kincaidandriely.com



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lots will be developed as the available inventory is depleted. The current supply of lots, although somewhat high, is adequate to meet the needs of those interested in upgrading their current residences, while at the same time not producing such a significant overage as to depress lot prices of the existing inventory.

Given the relatively high absorption of the existing inventory, and the recent success of Potter Creek developments, we believe the Highest and Best Use for the combined property is for single-family lot development. We have also recognized that development constructed in harmony with the neighboring subdivisions would be more compatible with surrounding land uses, more likely for acceptance in the market, and would achieve the highest rate of return for an investor. The thorough review of the residential housing market and property characteristics leads us to the conclusion that an upscale single-family residential subdivision with detached lots, ranging in size from 15,000sf to 45,000sf, would represent the highest and best use of the subject parcels. Considering a large size of the combined property, it is our opinion that a several phase development would represent the most rational construction. Our research of the residential subdivision market shows that the majority of the larger subdivisions are developed in phases. Large tracts of land (future phases) are held for development, which keeps property taxes and holding costs down. Phase development also enables the developer to make design changes to take advantage of shifts in market demands. After review of the proposed development plans, we believe that the proposed Potter Valley Subdivision represents a viable highest and best use of the combined property.

Proposed Development

Shown on the facing page¹³ is the proposed development layout for the combined AMHTLO and GCI Tracts area, designed by DOWL Engineers for the Potter View Development Company. According to this preliminary development plan, the combined property is going to be improved with a single-family residential development comprising of 249 lots and tentatively named as the Potter Valley Subdivision. The subdivision will feature wide lots ranging in size from 0.3-0.5 acres to 1.0 acre and above, with lot dimensions varying according to orientation towards surrounding neighborhoods. Thus, the AMHTLO Tract is bordered by such subdivisions as Loma Estates with an average lot size of 1.5 acres and Keno Hills with an average lot size of 2.3 acres. The AMTHLO tract is proposed to be developed with a total of 126 lots with 88 lots averaging 17,000sf and 38 lots averaging approximately 43,000sf. The GCI Tract is surrounded by more dense subdivisions, such as Southcreek Estates with an average lot size of 0.3 acres, and Paradise Valley with an average lot size of 0.4 acres. The GCI tract is proposed to be developed with a total of 123 lots, with 117 lots averaging 17,000sf and 6 lots averaging approximately 43,000sf. According to the provided plan, the majority of lots will be rectangular in shape with the smaller lots (17,000sf avg.) having 100' to 120' of width and the Larger lots

¹³ Facing Page: Master Plan Option for Potter Valley Subdivision

(43,000sf avg.) with 150'+/- of width. The proposed subdivision has a mixture of single-loaded and double-loaded roads. Some of the lots at the end of proposed cul-de-sacs will have a triangular or wedge shape. The present layout has nine cul-de-sacs in the Potter Valley area, with a minimum cul-de-sac radius of 50'. There will be two main access points on Potter Valley Road and Golden View Drive. Additionally, Bettijean Street and Belarde Avenue will be extended to provide access to lots in the subdivision's central area. Proposed construction will require roughly 40,000 linear feet of roadway, with a maximum street grade of 12%. Main subdivision roads will be 32' wide with curb and gutter on both sides, and side roads will be 24' wide with curb and gutter on the downhill side only. The subdivision is estimated to be completed in three to four phases and is designed to have such amenities as city water and sewer, large open spaces and views of the city, inlet and mountains. In the Subdivision Analysis section of this report, we have estimated the subject's market value based on this preliminary design.

Owner of Record and Subject Sales History

We were not provided with title reports for the subject tracts, and therefore relied on information gathered through primary research of public records. According to 2002 Municipal Tax Records, the owner of the AMHTLO tract is the Alaska Mental Health Trust Authority (AMHTA), Trustee, 550 W 7th Avenue, Suite 1430, Anchorage, Alaska 99501-3566. The property granted into their ownership on March 21, 1997 via Quit Claim Deed (QCD) No. 8000092 from the State of Alaska (SOA). The SOA was granted the tract's ownership by the Municipality of Anchorage (MOA) via Quitclaim Deed dated November 18th, 1996. Prior to the Municipality, the SOA retained ownership until conveying the parcel to the MOA on April 3, 1980 under State Patent No. 5011. The land was originally granted to the SOA by the United States of America, under Federal Patent No. 65-1301. Although the AMHTO Tract has been transferred a number of times in the past, the parties involved in those transactions were presented by various governmental organizations and the land transfers were not actual market sales. Of note, in order to understand these back and forth transfers of the AMHTLO Tract between various governmental agencies, it is important to know history of AMHTLO creation. The Alaska Mental Health Trust (AMHT) was established in 1956 by the Alaska Mental Health Enabling Act, which transferred the responsibility of providing mental health services from the Federal government to the Territory of Alaska and created AMHT. Congress granted one million acres of land to AMHT to be used to generate revenue for mental health programs in Alaska. In the mid-1980's, a citizen lawsuit claimed that the lands were being mismanaged. In 1994, the Alaska Superior Court and Alaska Legislature effectively settled the litigation. The Alaska Mental Health Trust Authority (AMHTA) was created to develop comprehensive, integrated mental health program for Alaska. The settlement also required the creation of a separate unit within the Department

of Natural Resources, the Trust Land Office (AMHTLO), to manage the lands under contract to AMHTA.¹⁴

The GCI Tract is owned by GCI Communication Corporation, 2550 Denali Street, Suite 1000, Anchorage, Alaska 99503-2737. The tract was acquired by GCI from Alaska International Industries, Inc. and their subsidiary Alaska Diversified Properties, Inc. on January 7, 2000. The previous owners were going through bankruptcy and were liquidating assets to pay off their debt to the IRS, the companies' major creditor. The combined value of the assets was determined by the IRS at \$2,800,000. The assets consisted of a fishing camp and a 16-apartment complex in Dutch Harbor, two large lodges in North Dillingham, and a tract of land in South Anchorage had to be sold together. No formal allocation of the price was made at the time of the transaction; however GCI placed this parcel on their books at an allocated price of \$700,000. It is interesting to note that Mr. Jones of Potter View Development Company, subsidiary of the GCI Communication Corporation, is a former president and CEO of Alaska Diversified Properties, Inc. and has extensive knowledge of this property.

Purpose and Intended Use of Analysis

This appraisal was prepared for Mr. Gregory Jones of the Potter View Development Co., Inc., located at 2550 Denali Street, Suite 1501, Anchorage, AK 99503-2751 and Mr. Stephen C. Planchon of the Trust Land Office 550 W. 7th Ave. suite 1430 Anchorage, Alaska 99501. The purpose of this analysis is to allocate a value of the two parcels of undeveloped land, identified in this reports as AMHTLO and GCI Tracts, so that they owners can negotiate a development or sale agreement for their respective parcels prior to subdividing. It is our understanding that the Land Trust Office (AMHTLO) and the Potter View Development Company are negotiating a lease to develop and market the combined property as a residential subdivision. These values will be used as a basis for beginning a negotiation on distributing the revenues from the sales of the developed lots. Another option is a sole-source purchase from AMHTLO of their portion of the property by the Potter View Development Company. As such, the AMHTLO Tract value determined by this appraisal will be used for beginning of development or sale negotiations between the companies.

Property Rights Appraised

This is an appraisal of the fee simple interest in the subject's real estate. A *fee simple estate* is defined as "absolute ownership, unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat."¹⁵

¹⁴ Additional information is available online at <http://www.dnr.state.ak.us/mhtlo> and http://www.mhtrust.org/t_ov.html, accessed April 15, 2002.

¹⁵ The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, 1993, Page 140.